

Advance-fee loan scams

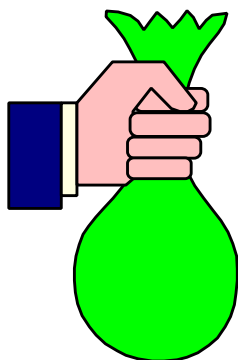
Some companies claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars. Small businesses have been charged as much as several thousand dollars as an advance fee for a loan. But whether you are an individual consumer or a small business owner, the result is the same: once the con artists have your money, they disappear and you never get your loan.

How to Recognize an “Advance-Fee” Loan Scam

Questionable advertisements that promise loans generally appear in the classified section of local and national newspapers, magazines, and tabloids. They also may appear in mailings, radio spots and on local cable channels. Often “900” numbers that result in charges on your phone bill, or toll-free “800” numbers, are featured in the ads. However, simply advertising through recognized media outlets does not ensure the legitimacy of the company

behind an ad. In addition, such companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

Do not confuse advance-fee loan schemes with legitimate offers of credit from mortgage brokers,



banks, savings and loans, and credit unions. Legitimate credit grantors may charge fees to process your loan application, but they will not guarantee that you will qualify for a loan. Illicit advance-fee loan schemes, on the other hand, either promise or strongly suggest that a loan will be provided in exchange for an

upfront fee. Salespeople for such companies also may verbally promise that some or all of your advance fee will be refunded if your application is unsuccessful. Some fraudulent companies also may claim that your advance fee will be credited toward repayment of the loan. Usually none of these claims is true.

How to Protect Yourself

The Bureau of Consumer Protection suggests the following precautions before you respond to ads for advance-fee loans.

- Be wary of advertising that claims that bad credit is no problem in getting you a loan. If money is not available to you through traditional lending institutions, it is unlikely to become available in response to a classified ad.
- Be cautious of lenders who use “800” and “900” numbers. You may call an “800” number which then directs you to dial a “900” number.

You pay for “900” number calls, of course, and the charges may be high.

- Check out the company. Call the Bureau’s toll-free hotline, 1(800) 422-7128, to learn of any complaints about companies offering advance-fee loans. Keep in mind, however, that suspect companies often establish their operations in one state, advertise heavily for only a few months, collect their loan fees, only to close up shop and move on to another state before complaints are registered and local authorities have a chance to act. Therefore, just because a consumer protection agency has no complaints on file does not mean that an advance-fee loan business is legitimate.
- Be careful about making any loan agreements over the telephone.
- Do not give your credit card, checking account, or Social Security numbers over the phone unless you are familiar with the company. This information can be used against you with other frauds. For example, if you give your checking account number over the phone to a stranger for “verification” or

“computer purposes,” the number may be used to debit (withdraw) money from your checking account.

- Ask to review any company’s offer in writing, and make sure you understand the terms of the agreement before you complete the transaction.

What to Do if You are a Victim

If you believe you have been victimized by a fraudulent advance-fee loan operation, contact the Bureau of Consumer Protection to report the company.

Where to Find Low-Cost Help for Credit Problems

First, try to solve your debt problems with your creditors as soon as you realize you will not be able to make your payments. If you cannot resolve your credit problems yourself or need additional assistance, you may want to contact Consumer Credit Counseling Service (CCCS)—a nonprofit organization with more than 700 offices located in 49 states that counsels indebted consumers. CCCS counselors will try to arrange a repayment plan that is acceptable to you and your creditors. They also will help you set up a realistic budget and plan for expenditures. These

counseling offices, funded by contributions from credit-granting institutions, are offered at little or no cost to consumers. You can find the CCCS office nearest you by checking the White Pages of your telephone directory or by sending a self-addressed stamped envelope to:

National Foundation for
Consumer Credit
8701 Georgia Ave.
Silver Spring, MD 20910
(301) 589-5600
(800) 388-2227
Madison: (608) 252-1334

In addition, non-profit counseling programs sometimes are operated by universities, military bases, credit unions, and housing authorities. They are likely to charge little or nothing for their assistance. Or, you can check with your local bank or consumer protection to see if it has a listing of reputable, low-cost financial counseling services near you.

Wisconsin Law Protects

Wisconsin law regulates credit services organizations and prohibits them from making any untrue or misleading representations in the offer or sale of services. The law pertains to companies or individuals that claim they can improve your credit report, history or rating or can arrange for credit. It applies

to both for-profit and not-for-profit organizations.

Under the law, credit organizations must register with the Department of Financial Institutions and provide a \$25,000 bond or letter of credit in order to do business in Wisconsin.

Before a credit services organization can receive payment or complete a contract with you, it must provide a written statement that contains the following:

- A notice of your right to review any file maintained on you by a consumer reporting agency (credit bureau), as well as your right to obtain a copy of the file free of charge if you request a copy within 30 days after being denied credit.
- A notice of your right to dispute the completeness and accuracy of any item contained in a consumer reporting agency file.
- A description of the services to be performed by the credit services organization and the total amount you will be charged for the services.
- A notice of your right to proceed against the bond.

Carefully consider this information. Many consumers have paid credit services organizations hundreds of dollars for services which are available free-of-charge or involve rights that are guaranteed by the federal Fair Credit Reporting Act.

If you do decide to work with a credit services organization, state law now requires it to provide you with a written contract. The contract must include all of the following:

- The organization's name and address.
- A description of the services to be performed and an estimate of the length of time it will take to perform the services.
- All terms and conditions, including the total amount you will be charged for the services.
- A notice that you may cancel the contract, without any obligation or penalty, **within five days** after the date the contract is signed. A notice of cancellation form must be attached to the contract.
- A statement that the organization is registered with the Department of Financial Institutions.

Contact the Department of Financial Institutions to verify registration. Carefully review all contract information. Also check with the Department of Financial Institutions or the Bureau of Consumer Protection to find out about any complaints filed against certain companies or individuals. For more information contact:

Department of Financial
Institutions
(800) 452-3328 (toll-free)

Bureau of Consumer Protection

(800) 422-7128 (toll-free)

FAX: (608) 224-4939

TTY: (608) 224-5058

E-MAIL:

datcph hotline@datcp.state.wi.us

WEBSITE:

<http://datcp.state.wi.us/>

(Excerpts from Federal Trade Commission fact sheet, "Advance-Fee Loan Scams," 12/91)

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